

FISCAL NOTE

SB 3699 - HB 3343

February 15, 2008

SUMMARY OF BILL: Freezes the value of all residential property for ad valorem taxation purposes on January 1, 2008, unless the property is sold, improvements are made, the building is demolished, or the property is split into more than one parcel, by requiring that the appraisal of residential property for property taxation purposes be the most recent sales price or the value set on January 1, 2008, whichever occurred later. All non-residential property would be subject to the taxing jurisdiction's reappraisal cycle.

ESTIMATED FISCAL IMPACT:

Other Fiscal Impact - Local governments could meet the requirements of this bill in one of two ways, both of which require freezing appraised values at the January 1, 2008 level, including property that is subsequently sold or improved, to comply with constitutional equalization requirements. First, to maintain the existing level of revenue generated from property taxes, local governments could adjust property tax rates for all taxpayers without reassessing residential property values. Under this approach, there would be no net increase or decrease in local government revenue. Alternatively, local governments could maintain existing tax rates. In a market of rising residential property values, it is estimated that maintaining existing tax rates would result in an annual decrease in local government revenue of at least \$5,000,000.

Assumptions:

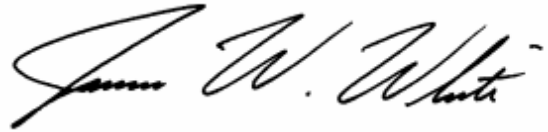
- The equal and uniform provision of Article 2, Section 28 of the Tennessee Constitution states, "The ratio of assessment to value of property in each class or subclass shall be equal and uniform throughout the State, the value and definition of property in each class or subclass to be ascertained in such manner as the Legislature shall direct. Each respective taxing authority shall apply the same tax rate to all property within its jurisdiction." Revaluing residential property that is sold or improved without revaluing other residential property would violate constitutional equalization requirements. Local governments will

comply with constitutional equalization requirements. Thus, residential property that is sold or improved will not be reappraised.

- The bill prevents re-appraisal but does not prevent changes to property tax rates.
- Residential property values will increase over time.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, reading "James W. White". The signature is fluid and cursive, with the first name "James" written in a smaller, more compact script than the last name "White".

James W. White, Executive Director

/kmc